

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

UNADILLA TOWNSHIP

REPORT ON AUDIT
OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2007

UNADILLA TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - James Peterson
Treasurer - Bonnie Mahler
Clerk - Linda J. Topping

TOWNSHIP BOARD OF TRUSTEES

Warren Krueger
Lori Cowan

TOWNSHIP ATTORNEY

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

PAGE NUMBER

INDEPENDENT AUDITORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS	9
------------------------------------	---

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

Statement of Net Assets	15
-------------------------	----

Statement of Activities	16
-------------------------	----

FUND FINANCIAL STATEMENTS

Balance Sheet - Governmental Funds	18
------------------------------------	----

Reconciliation of Statement of Net Assets of Governmental Funds to the Balance Sheet	19
---	----

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
---	----

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
--	----

Statement of Assets and Liabilities - Fiduciary Funds	22
---	----

NOTES TO FINANCIAL STATEMENTS	24
-------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	34
---	----

Fire Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	35
--	----

Police Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	36
--	----

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

All Special Revenue Funds - Balance Sheet	39
---	----

All Agency Funds - Balance Sheet	40
----------------------------------	----

All Special Revenue Funds - Statement of Revenues, Expenditures and Changes in Fund Balances	41
---	----

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
<u>INDIVIDUAL FUNDS</u>	
GENERAL FUND	
Balance Sheet	44
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	45
Statement of Revenues - Budget and Actual	46
Statement of Expenditures - Budget and Actual	47
FIRE FUND	
Balance Sheet	50
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	51
POLICE FUND	
Balance Sheet	53
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	54
POLICE FORFEITURE FUND	
Balance Sheet	56
Statement of Revenues, Expenditures and Changes in Fund Balance	57
DUST CONTROL FUND	
Balance Sheet	59
Statement of Revenues, Expenditures and Changes in Fund Balance	60
STREET LIGHTING FUND	
Balance Sheet	62
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	63
TOWNSHIP IMPROVEMENT FUND	
Balance Sheet	65
Statement of Revenues, Expenditures and Changes in Fund Balance	66
SENIOR CENTER FUND	
Balance Sheet	68
Statement of Revenues, Expenditures and Changes in Fund Balance	69
SEWER DEBT SERVICE FUND	
Balance Sheet	71
Statement of Revenues, Expenditures and Changes in Fund Balance	72

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
TRUST AND AGENCY FUND	
Balance Sheet	74
CURRENT TAX COLLECTION FUND	
Balance Sheet	76



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

June 21, 2007

Board of Trustees
Unadilla Township
126 Webb Street
P O Box 120
Gregory, Michigan 48137

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township as of and for the year ended March 31, 2007, which collectively comprise Unadilla Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Unadilla Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2007, on our consideration of Unadilla Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 9 through 12 and 34 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Unadilla Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis March 31, 2007

Within this section of Unadilla Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township's net assets at the end of the fiscal year were \$1,891,958. This is a \$461,650 increase over last year's net assets of \$1,430,398.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	
	3/31/2006	3/31/2007
Current and other assets	\$ 3,843,775	\$ 3,973,113
Capital assets, net	210,160	507,657
Total assets	4,053,935	4,480,770
Accounts payable and other accrued liabilities	14,543	321,301
Bonds payable	2,608,994	2,267,511
Total liabilities	2,623,537	2,588,812
Net assets:		
Invested in capital assets, net of related debt	210,160	203,971
Unrestricted	1,220,238	1,687,987
Total net assets	\$ 1,430,398	\$ 1,891,958

Summary of Changes in Net Assets

	Governmental Activities	
	3/31/2006	3/31/2007
REVENUES		
Program revenues		
Charges for services	\$ 96,041	\$ 86,804
Operating grants and contributions	850	8,315
Capital grants and contributions	31,793	214,800
General revenues		
State shared revenues	220,701	218,660
Property taxes	431,612	449,536
Interest income	153,267	162,176
Gain (loss) on sale of assets		(8,548)
Special assessments		7,653
Other income	9,158	16,550
Total revenues	943,422	1,155,946
EXPENSES		
General government	190,873	181,427
Fire protection	117,222	114,447
Police protection	174,612	185,614
Public works	54,583	59,799
Senior center		407
Interest on long-term debt	119,751	152,692
Total expenses	657,041	694,386
Change in net assets	286,381	461,560
Beginning net assets	1,144,017	1,430,398
Ending net assets	\$ 1,430,398	\$ 1,891,958

The overall financial status for the Township is strong with the Township adding to its net assets once again.

Financial Analysis of the Township's Funds

Unadilla Township reported five major funds for the year ended March 31, 2007. These funds included:

- General Fund
- Fire Fund
- Police Fund
- Sewer Debt Service Fund

The General Fund increased its fund balance by \$196,834 while still transferring out \$10,000 to various special revenue funds. This is an improvement from last year's substantial transfers of \$173,513.

The Fire and Police Funds were near at loss scenario with the Fire Fund decreasing \$59,821 to its fund balance and the Police Fund's fund balance decreasing by \$10,826.

The Sewer Debt Service Fund decreased its fund balance by \$208,700 for the fiscal year. This is typical for this fund as it is still approximately 4 years since the sale of the bonds and related special assessment. As the bonds near maturity the Township can expect expenditures to exceed revenues since the interest rate on the debt will likely exceed the interest rate on cash equivalents.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made amendments during the year. Appropriations exceeded actual expenditures by \$39,480.

Grant Receivable

The Township was awarded a grant from the federal government Homeland and Security for the purchase of a fire truck. They have not received the money as of the end of the year. The fire truck has been ordered but not delivered as of the year end.

Capital Asset and Debt Administration

The Township acquired \$329,290 of capital assets during the fiscal year. The police purchased a vehicle for \$25,604 during the year. A fire truck with a cost of \$303,686 was also ordered during the year.

The Township extinguished \$341,483 of the \$2,608,994 that was outstanding from the previous year for the Township residents' participation in an area sewer authority.

Economic Conditions and Future Activities

Anticipated future decreases in state revenue sharing could have a substantial effect on operations for subsequent periods.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Unadilla Township at 126 Webb Street, P.O. Box 420, Gregory, Michigan 48137.

BASIC FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,929,807
Receivables	
Accounts	39,819
Special assessments	1,701,731
State shared revenues	37,353
Taxes	48,350
Due from Fiduciary Fund	1,253
Grant receivable	214,800
Capital assets - net of depreciation	<u>507,657</u>
Total assets	<u>4,480,770</u>
<u>LIABILITIES</u>	
Accounts payable	7,799
Accounts payable - fire truck	303,686
Payroll taxes payable	9,816
Bonds payable	
Current	20,000
Non-current	<u>2,247,511</u>
Total liabilities	<u>2,588,812</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	203,971
Unrestricted	<u>1,687,987</u>
Total net assets	<u><u>\$ 1,891,958</u></u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues		Total
		Charges for Services	Operating Grants and Contributions	
Governmental activities:			Capital Grants and Contributions	
General government	\$ (181,427)	\$ 60,432	\$ 8,065	\$ (112,930)
Fire protection	(114,447)	17,640	250	214,800
Police protection	(185,614)	8,732		
Senior Fund	(407)			
Public works	(59,799)			
Interest/fees on long-term debt	(152,692)			
Total governmental activities	\$ (694,386)	\$ 86,804	\$ 8,315	\$ 214,800
General Revenues:				
Property taxes				449,536
State shared revenues				218,660
Unrestricted investment earnings				59,600
Rental income				8,144
Other income				8,406
Special assessment - interest				102,576
Special assessments - other				7,653
Net book value on assets sold				(8,548)
Total general revenues				846,027
Changes in net assets				461,560
Net assets, April 1, 2006				1,430,398
Net assets, March 31, 2007				\$ 1,891,958

The notes are an integral part of the financial statements.

FUND
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007

	General	Fire	Police	Sewer Debt Service	Other Non-major Funds	Total
<u>ASSETS</u>						
ASSETS						
Cash and cash equivalents	\$ 541,461	\$ 239,674	\$ 107,273	\$ 741,421	\$ 299,978	\$ 1,929,807
Receivables						
Special assessments				1,701,731		1,701,731
Taxes	11,151	10,092	15,139		11,968	48,350
State shared revenues	37,353					37,353
Grants		214,800				214,800
Due from other funds	1,253					1,253
Due from others	10,970			28,849		39,819
Total assets	<u>\$ 602,188</u>	<u>\$ 464,566</u>	<u>\$ 122,412</u>	<u>\$ 2,472,001</u>	<u>\$ 311,946</u>	<u>\$ 3,973,113</u>
<u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Accounts payable	\$ 2,254	\$	\$ 5,368	\$ 117	\$ 60	\$ 7,799
Payroll taxes payable	2,491	4,245	3,080			9,816
Deferred revenue				1,701,731		1,701,731
Accounts payable - fire truck		303,686				303,686
Total liabilities	4,745	307,931	8,448	1,701,848	60	2,023,032
<u>FUND BALANCE</u>						
Reserved for debt service				770,153		770,153
Unreserved	597,443	156,635	113,964		311,886	1,179,928
Total fund balance	597,443	156,635	113,964	770,153	311,886	1,950,081
Total liabilities and fund balance	<u>\$ 602,188</u>	<u>\$ 464,566</u>	<u>\$ 122,412</u>	<u>\$ 2,472,001</u>	<u>\$ 311,946</u>	<u>\$ 3,973,113</u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
MARCH 31, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet	\$ 1,950,081
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds:	
Historical costs	\$ 1,042,165
Depreciation	<u>(534,508)</u>
Capital assets, net of depreciation	507,657
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:	
Bonds payable	(2,267,511)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed:	<u>1,701,731</u>
Net assets of governmental activities	<u><u>\$ 1,891,958</u></u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	General	Fire	Police	Sewer Debt Service	Other Non-major Funds	Total
REVENUES						
Taxes	\$ 83,051	\$ 103,189	\$ 154,695	\$	\$ 108,601	\$ 449,536
Special assessments				253,065	7,654	260,719
State shared revenues	218,660					218,660
Licenses and permits	17,253		814			18,067
Fines and forfeitures			2,640		3,308	5,948
Grant income		214,800				214,800
Charges for services	43,179	17,640	1,970			62,789
Interest	13,359	6,545	374	31,011	8,311	59,600
Donations	4,755	250			3,310	8,315
Miscellaneous	8,144		1,745	1,399	5,262	16,550
Total revenues	<u>388,401</u>	<u>342,424</u>	<u>162,238</u>	<u>285,475</u>	<u>136,446</u>	<u>1,314,984</u>
EXPENDITURES						
General government	181,427					181,427
Fire protection		402,245				402,245
Police protection			194,722		12,519	207,241
Public works	140				59,659	59,799
Senior fund					407	407
Debt service				494,175		494,175
Total expenditures	<u>181,567</u>	<u>402,245</u>	<u>194,722</u>	<u>494,175</u>	<u>72,585</u>	<u>1,345,294</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>206,834</u>	<u>(59,821)</u>	<u>(32,484)</u>	<u>(208,700)</u>	<u>63,861</u>	<u>(30,310)</u>
OTHER FINANCING SOURCES (USES)						
Sale of assets			3,380			3,380
Transfers in			18,278			18,278
Transfers (out)	(10,000)				(8,278)	(18,278)
Total other financing sources (uses)	<u>(10,000)</u>		<u>21,658</u>		<u>(8,278)</u>	<u>3,380</u>
Net change in fund balances	196,834	(59,821)	(10,826)	(208,700)	55,583	(26,930)
FUND BALANCE, APRIL 1, 2006	<u>400,609</u>	<u>216,456</u>	<u>124,790</u>	<u>978,853</u>	<u>256,303</u>	<u>1,977,011</u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 597,443</u>	<u>\$ 156,635</u>	<u>\$ 113,964</u>	<u>\$ 770,153</u>	<u>\$ 311,886</u>	<u>\$ 1,950,081</u>

The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$	(26,930)
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay	\$	329,290	
Depreciation expense		<u>(19,865)</u>	
Net			309,425

In the Statement of Activities, only the loss on the sale of assets is reported, whereas in the Governmental Funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Net book value of asset dispositions		(11,928)
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Repayment of bond and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets repayment of:

Bonds payable		341,483
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Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities

Principle collected on assessments		<u>(150,490)</u>
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Change in net assets of governmental activities	\$	<u><u>461,560</u></u>
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The notes are an integral part of the financial statements.

UNADILLA TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
MARCH 31, 2007

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 8,196	\$ 528	\$ 8,724
Due from other		725	725
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 8,196</u>	<u>\$ 1,253</u>	<u>\$ 9,449</u>
 <u>LIABILITIES</u>			
Due to others	\$ 8,196	\$	\$ 8,196
Due to other funds		1,253	1,253
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 8,196</u>	<u>\$ 1,253</u>	<u>\$ 9,449</u>

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Unadilla Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the Township's fire protection services. This fund is primarily funded through a special separately elected millage.

The Police Fund accounts for the Township's police protection services. This fund is primarily funded through a special separately elected millage.

The Sewer Debt Service Fund accounts for the debt service related to bonds issued to connect to an area sewer authority.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

D. BUDGETARY DATA

The Township's original budget was adopted prior to April 1, 2007. A budget was adopted for the General, Fire, and Police Funds. No budget was approved for the Township Improvement Fund, Police Forfeiture, and Dust Control Fund and Senior Center Funds.

The Township adopts its budget by functional activity which is the level of classification detail at which expenditures may not legally exceed appropriations.

E. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable value of property located in the Township as of the preceding December 31. Assessed values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2006 levy was assessed and equalized at \$112,810,412, representing 50 percent of estimated current market value. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. Information related to the 2006 tax levy is as follows:

	<u>Millage Rate</u>
Township Operations	.7242
Roads	.9499
Fire equipment	.9026
Police	<u>1.3539</u>
 Total Township millage	 <u><u>3.9306</u></u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

NOTE 2 - FINANCIAL REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

The accompanying financial statements of Unadilla Township as of March 31, 2007, include any and all boards, agencies, funds and account groups under the jurisdiction of the Unadilla Township Board.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The Township has several interfund receivables and payables at March 31, 2007. These are short-term in nature and are expected to be repaid within the next fiscal year. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 1,253	\$
Current tax		1,253
Total	<u>\$ 1,253</u>	<u>\$ 1,253</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS (continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Police Fund	\$ 10,000
Police Forfeiture Fund	Police Fund	<u>8,278</u>
		<u>\$ 18,278</u>

All transfers were for general operations.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
Land	\$ 6,002	\$	\$	\$ 6,002
Buildings and improvements	318,000			318,000
Vehicles and equipment	<u>433,867</u>	<u>329,290</u>	<u>44,994</u>	<u>718,163</u>
Total capital assets	757,869	329,290	44,994	1,042,165
Accumulated depreciation	<u>(547,709)</u>	<u>(19,865)</u>	<u>(33,066)</u>	<u>(534,508)</u>
Governmental activities capital asset, net	<u>\$ 210,160</u>	<u>\$ 309,425</u>	<u>\$ 11,928</u>	<u>\$ 507,657</u>

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with these capital assets. Depreciation expense was allocated to the following activities:

Fire protection services	\$ 15,888
Police protection services	<u>3,977</u>
Total	<u>\$ 19,865</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The investment policy adopted by the board is in accordance with Act 196 PA 1997. The Township's deposits and investments are in accordance with statutory authority.

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 900,000	\$ 900,000
Uninsured and uncollateralized	<u>1,038,531</u>	<u>1,245,966</u>
Total	<u><u>\$ 1,938,531</u></u>	<u><u>\$ 2,145,966</u></u>

The carrying amount above includes funds from:

Primary government	\$ 1,929,807
Fiduciary funds	<u>8,724</u>
Total carrying amount	<u><u>\$ 1,938,531</u></u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 6 - LONG-TERM OBLIGATIONS

1. Contract payable to Washtenaw County, dated January 1, 2002, to finance the expansion of the Multi-Lakes Sanitary Sewer System. Unadilla's portion of the liability is 29.387%. The loan is payable in annual principal installments ranging from \$88,161 to \$132,242 through 2020, plus interest in semi-annual installments ranging from 3.00% to 5.00%.
2. Special assessment bonds Series 2002A payable to United States Department of Agriculture, dated March 1, 2002 to finance construction costs of the Gregory Sewer System. Payable in annual principal installments ranging from \$20,000 graduating to \$21,000 through 2042, plus interest in semi-annual installments fixed at 4.5%.
3. Special assessments bond Series 2002B payable to United States Department of Agriculture, dated March 1, 2002 to finance construction costs of the Gregory Sewer System. Payable in annual principal installments ranging from \$1,000 graduating to \$2,000 through 2042, plus interest in semi-annual installments fixed at 4.5%.

This obligation was paid off during the fiscal year in advance of its scheduled maturity.

A summary of these long-term obligations as of March 31, 2007, and transactions during the year then ended are as follows:

	Balance 4/1/06	Increase	Decrease	Balance 3/31/07
2002 Multi Lakes	\$ 1,821,994	\$	\$ 264,483	\$ 1,557,511
2002 A Special Assessment	730,000		20,000	710,000
2002 B Special Assessment	57,000		57,000	
	<u>\$ 2,608,994</u>	<u>\$</u>	<u>\$ 341,483</u>	<u>\$ 2,267,511</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The following is a schedule of principal and interest payments to service the long-term obligations of the Township:

<u>Fiscal years</u>	<u>2002 Multi-Lakes</u>			<u>2002 A Special Assessment</u>			<u>Total</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007 - 2008	\$ 35,703	\$	\$ 35,703	\$ 31,950	\$ 20,000	\$ 51,950	\$ 67,653	\$ 20,000	\$ 87,653
2008 - 2009	68,679	132,242	200,921	31,050	20,000	51,050	99,729	152,242	251,971
2009 - 2010	63,141	132,241	195,382	30,150	20,000	50,150	93,291	152,241	245,532
2010 - 2011	57,760	117,548	175,308	29,250	20,000	49,250	87,010	137,548	224,558
2011 - 2012	52,617	117,548	170,165	28,350	20,000	48,350	80,967	137,548	218,515
2012 - 2017	184,271	587,740	772,011	128,250	100,000	228,250	312,521	687,740	1,000,261
2017 - 2022	46,872	470,192	517,064	105,750	100,000	205,750	152,622	570,192	722,814
2022 - 2027				83,250	100,000	183,250	83,250	100,000	183,250
2027 - 2032				60,750	100,000	160,750	60,750	100,000	160,750
2032 - 2037				37,800	105,000	142,800	37,800	105,000	142,800
2037 - 2042				14,175	105,000	119,175	14,175	105,000	119,175
Totals	<u>\$ 509,043</u>	<u>\$ 1,557,511</u>	<u>\$ 2,066,554</u>	<u>\$ 580,725</u>	<u>\$ 710,000</u>	<u>\$ 1,290,725</u>	<u>\$ 1,089,768</u>	<u>\$ 2,267,511</u>	<u>\$ 3,357,279</u>

UNADILLA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 7 - EMPLOYEE RETIREMENT PLAN

The Township participates in the John Hancock Defined Contribution Pension Plan Group No. 60571 for Michigan Township employees. This is a single-employer plan. All members of the Township Board are included in the plan. The Township contributes 7.50% of participant's compensation, while an employee contributes 7.50% of compensation. Annual compensation used to determine the current year contribution is as of April 1, preceding the year. Contribution information is as follows:

ACCOUNT VALUE AT MARCH 31, 2007	\$ <u>76,719</u>
TOTAL CURRENT YEAR CONTRIBUTIONS	\$ <u>5,722</u>

These balances reflect contributions for the period from April 1, 2006 to March 31, 2007.

NOTE 8 - FEDERAL GRANT ACTIVITIES

Unadilla Township was a recipient of a rural development grant from the USDA for construction of the Gregory Sewer System. The remaining 25% of the project cost was loaned to the Township and is being paid back over 40 years. The grant received is subject to financial and compliance audits by the grantors or their representatives.

NOTE 9 - JOINT VENTURES

The Township is a member of the Multi-Lakes Area Water and Sewer Authority ("Authority") which provides sewer services to the residents of Unadilla, Dexter, Lyndon and Putnam Townships. The residents of the participating communities provide annual funding for its operations via sewer billings. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 12088 N. Territorial Road, Dexter, Michigan 48130.

NOTE 10 - GRANT RECEIVABLE

The Township was awarded a grant from the federal government Homeland and Security for the purchase of a fire truck. They have not received the money as of the end of the year. The fire truck has been ordered but not delivered as of the year end.

REQUIRED
SUPPLEMENTARY
INFORMATION

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 83,051	\$
State shared revenues			218,660	
Licenses and permits			17,253	
Charges for services			43,179	
Other revenues			8,144	
State donations			4,755	
Interest			13,359	
Total revenues	363,678	363,678	388,401	24,723
EXPENDITURES				
Township board	5,000	5,000	4,400	600
Supervisor	20,000	20,000	20,000	
Elections	6,000	6,000	9,270	(3,270)
Assessor	25,000	25,000	24,276	724
Auditor	5,000	5,000	4,500	500
Clerk	20,250	20,250	20,127	123
Attorney	8,000	8,000	114	7,886
Board of review	2,380	2,900	2,185	715
Treasurer	23,600	23,600	22,606	994
Unallocated	46,462	48,892	45,742	3,150
Drains at large	5,000	4,350	140	4,210
Planning	26,085	25,550	6,762	18,788
Zoning	21,750	21,750	21,172	578
Tax chargeback			273	(273)
Total expenditures	214,527	216,292	181,567	34,725
Excess (Deficiency) of revenues over (under) expenditures	149,151	147,386	206,834	59,448
OTHER FINANCING SOURCES (USES)				
Transfers (out)			(10,000)	(10,000)
Net change in fund balance	149,151	147,386	196,834	49,448
FUND BALANCE, APRIL 1, 2006	400,609	400,609	400,609	
FUND BALANCE, MARCH 31, 2007	\$ 549,760	\$ 547,995	\$ 597,443	\$ 49,448

UNADILLA TOWNSHIP
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$	\$	\$ 103,189	\$
Grant - federal			214,800	
Donations			250	
Charges for services			17,640	
Interest			6,545	
Total revenues	102,604	102,604	342,424	239,820
EXPENDITURES				
Salaries			38,813	
Payroll taxes			2,969	
Sewer assessment			914	
Supplies			1,953	
Uniforms			119	
Audit fees			2,000	
Gas			1,558	
Telephone			2,215	
Internet service			549	
Mileage			1,343	
Training			858	
Insurance			25,469	
Utilities			4,206	
Repairs and maintenance			12,928	
Miscellaneous			698	
Dues			75	
Capital outlay			305,578	
Total expenditures	112,717	112,717	402,245	(289,528)
Net change in fund balance	(10,113)	(10,113)	(59,821)	(49,708)
FUND BALANCE, APRIL 1, 2006	216,456	216,456	216,456	
FUND BALANCE, MARCH 31, 2007	<u>\$206,343</u>	<u>\$206,343</u>	<u>\$156,635</u>	<u>(\$49,708)</u>

UNADILLA TOWNSHIP
POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 154,695	\$
Fines and forfeitures			2,640	
Liquor license			814	
Charges for service			1,970	
Sale of assets			3,380	
Miscellaneous			1,745	
Interest			374	
Total revenues	152,230	152,230	165,618	13,388
EXPENDITURES				
Salaries			97,916	
Payroll taxes			7,766	
Unemployment			12,816	
Retirement			1,200	
Health insurance			2,400	
Supplies			1,792	
Telephone			3,676	
Legal			2,262	
Mileage			396	
Audit fees			1,500	
Publishing			312	
Uniforms			336	
Insurance			17,390	
Utilities			1,124	
Gas			7,204	
Repairs and maintenance			7,464	
Rent			800	
Miscellaneous			415	
Dues			1,954	
Small equipment and tools			25,999	
Total expenditures	213,063	213,063	194,722	18,341
Excess (Deficiency) of revenues over (under) expenditures	(60,833)	(60,833)	(29,104)	31,729
OTHER FINANCING SOURCES				
Transfers in			18,278	18,278
Net change in fund balance	(60,833)	(60,833)	(10,826)	50,007
FUND BALANCE, APRIL 1, 2006	124,790	124,790	124,790	
FUND BALANCE, MARCH 31, 2007	\$ 63,957	\$ 63,957	\$ 113,964	\$ 50,007

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

UNADILLA TOWNSHIP
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2007

	Fire Fund	Police Fund	Police Forfeiture Fund	Dust Control Fund	Street Lighting Fund	Township Improvement Fund	Senior Fund	Totals
<u>ASSETS</u>								
ASSETS								
Cash and cash equivalents	\$ 239,674	\$ 107,273	\$ 1,779	\$ 122,778	\$ 3,389	\$ 169,054	\$ 2,978	\$ 646,925
Taxes receivable	10,092	15,139		10,621	1,347			37,199
Grant receivable	214,800							214,800
Total assets	<u>\$ 464,566</u>	<u>\$ 122,412</u>	<u>\$ 1,779</u>	<u>\$ 133,399</u>	<u>\$ 4,736</u>	<u>\$ 169,054</u>	<u>\$ 2,978</u>	<u>\$ 898,924</u>
<u>LIABILITIES AND FUND BALANCE</u>								
LIABILITIES								
Accounts payable	\$	\$ 5,368	\$	\$	\$	\$	\$ 60	\$ 5,428
Accounts payable - fire truck	303,686							303,686
Payroll taxes payable	4,245	3,080						7,325
Total liabilities	307,931	8,448					60	316,439
FUND BALANCE	156,635	113,964	1,779	133,399	4,736	169,054	2,918	582,485
Total liabilities and fund balance	<u>\$ 464,566</u>	<u>\$ 122,412</u>	<u>\$ 1,779</u>	<u>\$ 133,399</u>	<u>\$ 4,736</u>	<u>\$ 169,054</u>	<u>\$ 2,978</u>	<u>\$ 898,924</u>

UNADILLA TOWNSHIP
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2007

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 8,196	\$ 528	\$ 8,724
Due from other		725	725
	<u>8,196</u>	<u>1,253</u>	<u>9,449</u>
Total assets	<u>\$ 8,196</u>	<u>\$ 1,253</u>	<u>\$ 9,449</u>
<u>LIABILITIES</u>			
Due to others	\$ 8,196	\$	\$ 8,196
Due to other funds		1,253	1,253
	<u>8,196</u>	<u>1,253</u>	<u>9,449</u>
Total liabilities	<u>\$ 8,196</u>	<u>\$ 1,253</u>	<u>\$ 9,449</u>

UNADILLA TOWNSHIP
ALL SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2007

	Fire Fund	Police Fund	Police Forfeiture Fund	Dust Control Fund	Street Lighting Fund	Township Improvement Fund	Senior Center Fund	Totals
REVENUES								
Property taxes	\$ 103,189	\$ 154,695	\$	\$ 108,601	\$	\$	\$	\$ 366,485
Special assessments					7,654			7,654
Fines and forfeitures		2,640	3,308					5,948
Charges for services	17,640	1,970						19,610
Grant income	214,800							214,800
Donations	250						3,310	3,560
Interest	6,545	374	32	511		7,753	15	15,230
Liquor license		814						814
Miscellaneous		1,745		5,248	14			7,007
Sale of assets		3,380						3,380
Total revenues	<u>342,424</u>	<u>165,618</u>	<u>3,340</u>	<u>114,360</u>	<u>7,668</u>	<u>7,753</u>	<u>3,325</u>	<u>644,488</u>
EXPENDITURES								
Fire protection	402,245							402,245
Police protection		194,722	4,241					198,963
Dust control				59,966				59,966
Street lighting					7,971			7,971
Senior center							407	407
Total expenditures	<u>402,245</u>	<u>194,722</u>	<u>4,241</u>	<u>59,966</u>	<u>7,971</u>		<u>407</u>	<u>669,552</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(59,821)</u>	<u>(29,104)</u>	<u>(901)</u>	<u>54,394</u>	<u>(303)</u>	<u>7,753</u>	<u>2,918</u>	<u>(25,064)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in		18,278						18,278
Transfers (out)			(8,278)					(8,278)
Total other financing sources (uses)		<u>18,278</u>	<u>(8,278)</u>					<u>10,000</u>
Net changes in fund balances	(59,821)	(10,826)	(9,179)	54,394	(303)	7,753	2,918	(15,064)
FUND BALANCE, APRIL 1, 2006	<u>216,456</u>	<u>124,790</u>	<u>10,958</u>	<u>79,005</u>	<u>5,039</u>	<u>161,301</u>		<u>597,549</u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 156,635</u>	<u>\$ 113,964</u>	<u>\$ 1,779</u>	<u>\$ 133,399</u>	<u>\$ 4,736</u>	<u>\$ 169,054</u>	<u>\$ 2,918</u>	<u>\$ 582,485</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

UNADILLA TOWNSHIP
GENERAL FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents	\$	541,461
Taxes receivable		11,151
State shared revenues receivable		37,353
Due from others		10,970
Due from other funds		<u>1,253</u>
Total assets	\$	<u>602,188</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	2,254
Payroll taxes payable		<u>2,491</u>
Total liabilities	\$	4,745

FUND BALANCE

		<u>597,443</u>
Total liabilities and fund balance	\$	<u>602,188</u>

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 83,051	\$
State shared revenues		218,660	
Licenses and permits		17,253	
Charges for services		43,179	
Other revenues		8,144	
State donations		4,755	
Interest		13,359	
Total revenues	363,678	388,401	24,723
EXPENDITURES			
Township board	5,000	4,400	600
Supervisor	20,000	20,000	
Elections	6,000	9,270	(3,270)
Assessor	25,000	24,276	724
Auditor	5,000	4,500	500
Clerk	20,250	20,127	123
Attorney	8,000	114	7,886
Board of review	2,900	2,185	715
Treasurer	23,600	22,606	994
Unallocated	48,892	45,742	3,150
Drains at large	4,350	140	4,210
Planning	25,550	6,762	18,788
Zoning	21,750	21,172	578
Tax chargeback		273	(273)
Total expenditures	216,292	181,567	34,725
Excess (Deficiency) of revenues over (under) expenditures	147,386	206,834	59,448
OTHER FINANCING SOURCES (USES)			
Transfers (out)		(10,000)	(10,000)
Net change in fund balance	147,386	196,834	49,448
FUND BALANCE, APRIL 1, 2006	400,609	400,609	
FUND BALANCE, MARCH 31, 2007	\$ 547,995	\$ 597,443	\$ 49,448

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
PROPERTY TAXES	\$ 78,000	\$ 83,051	\$ 5,051
STATE SHARED REVENUES	220,738	218,660	(2,078)
STATE DONATIONS		4,755	4,755
LICENSES AND PERMITS			
Dog licenses		11	
Licenses and permits		7,125	
Cable franchise		10,117	
Total licenses and permits	17,000	17,253	253
CHARGES FOR SERVICES			
Fees		2,311	
Tax administrative fees		34,824	
Tax collection fees		6,044	
Total charges for services	35,000	43,179	8,179
OTHER REVENUES			
Interest		13,359	
Rental income		1,531	
Reimbursements		6,116	
Miscellaneous		497	
Total other revenues	12,940	21,503	8,563
Total revenues	\$ 363,678	\$ 388,401	\$ 24,723

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD	\$ 5,000	\$ 4,400	\$ 600
SUPERVISOR			
Salary	20,000	20,000	
ELECTIONS			
Salaries		2,945	
Supplies		745	
Election equipment		4,755	
Miscellaneous		182	
Publishing		643	
Total elections	6,000	9,270	(3,270)
ASSESSOR			
Contract		22,800	
Supplies		1,041	
Miscellaneous		435	
Total assessor	25,000	24,276	724
CLERK			
Salaries		20,000	
Miscellaneous		127	
Total clerk	20,250	20,127	123
ATTORNEY	8,000	114	7,886
AUDITOR	5,000	4,500	500
BOARD OF REVIEW			
Salaries		1,200	
Publishing		54	
Supplies		931	
Total board or review	2,900	2,185	715

UNADILLA TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - (continued)
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TREASURER			
Salaries		20,000	
Tax bill preparation		2,347	
Miscellaneous		259	
Total treasurer	<u>23,600</u>	<u>22,606</u>	<u>994</u>
UNALLOCATED			
Salaries		6,479	
Payroll taxes		2,748	
Retirement		8,405	
Supplies		1,573	
Publishing		1,496	
Dues		2,091	
Miscellaneous		2,141	
Maintenance		1,842	
Telephone and utilities		2,587	
Insurance and bonds		10,873	
Rental		1,201	
Clean up day		4,085	
Equipment		221	
Total unallocated	<u>48,892</u>	<u>45,742</u>	<u>3,150</u>
DRAINS AT LARGE	<u>4,350</u>	<u>140</u>	<u>4,210</u>
PLANNING			
Salaries		5,392	
Consulting		658	
Miscellaneous		712	
Total planning	<u>25,550</u>	<u>6,762</u>	<u>18,788</u>
ZONING			
Salaries		11,339	
Legal		8,577	
Publishing		773	
Mileage		208	
Miscellaneous		275	
Total zoning	<u>21,750</u>	<u>21,172</u>	<u>578</u>
TAX CHARGEBACK		<u>273</u>	<u>(273)</u>
Total expenditures	<u>\$ 216,292</u>	<u>\$ 181,567</u>	<u>\$ 34,725</u>

FIRE
FUND

UNADILLA TOWNSHIP
FIRE FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash	\$ 239,674	
Taxes receivable	10,092	
Grant receivable	<u>214,800</u>	
Total assets		<u>\$ 464,566</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll taxes payable	\$ 4,245	
Accounts payable - fire truck	<u>303,686</u>	
Total liabilities		\$ 307,931

FUND BALANCE

		<u>156,635</u>
Total liabilities and fund balance		<u>\$ 464,566</u>

UNADILLA TOWNSHIP
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$	\$ 103,189	\$
Grant - federal		214,800	
Donations		250	
Charges for services		17,640	
Interest		6,545	
		<u> </u>	<u> </u>
Total revenues	<u>102,604</u>	<u>342,424</u>	<u>239,820</u>
EXPENDITURES			
Salaries		38,813	
Payroll taxes		2,969	
Sewer assessment		914	
Supplies		1,953	
Uniforms		119	
Audit fees		2,000	
Gas		1,558	
Telephone		2,215	
Internet service		549	
Mileage		1,343	
Training		858	
Insurance		25,469	
Utilities		4,206	
Repairs and maintenance		12,928	
Miscellaneous		698	
Dues		75	
Capital outlay		305,578	
		<u> </u>	<u> </u>
Total expenditures	<u>112,717</u>	<u>402,245</u>	<u>(289,528)</u>
Net change in fund balance	(10,113)	(59,821)	(49,708)
FUND BALANCE, APRIL 1, 2006	<u>216,456</u>	<u>216,456</u>	<u> </u>
FUND BALANCE, MARCH 31, 2007	<u>\$ 206,343</u>	<u>\$ 156,635</u>	<u>\$ (49,708)</u>

POLICE
FUND

UNADILLA TOWNSHIP
POLICE FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash	\$	107,273
Taxes receivable		<u>15,139</u>
Total assets	\$	<u><u>122,412</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	5,368
Payroll taxes payable		<u>3,080</u>
Total liabilities	\$	8,448

FUND BALANCE

		<u>113,964</u>
Total liabilities and fund balance	\$	<u><u>122,412</u></u>

UNADILLA TOWNSHIP
POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$	\$ 154,695	\$
Fines and forfeitures		2,640	
Liquor license		814	
Sale of assets		3,380	
Charges for services		1,970	
Miscellaneous		1,745	
Interest		374	
Total revenues	152,230	165,618	13,388
EXPENDITURES			
Salaries		97,916	
Payroll taxes		7,766	
Unemployment		12,816	
Retirement		1,200	
Health insurance		2,400	
Supplies		1,792	
Telephone		3,676	
Legal		2,262	
Mileage		396	
Audit fees		1,500	
Publishing		312	
Uniforms		336	
Insurance		17,390	
Utilities		1,124	
Gas		7,204	
Repairs and maintenance		7,464	
Rent		800	
Miscellaneous		415	
Dues		1,954	
Small equipment and tools		25,999	
Total expenditures	213,063	194,722	18,341
Excess (Deficiency) of revenues over (under) expenditures	(60,833)	(29,104)	31,729
OTHER FINANCING SOURCES			
Transfers in		18,278	18,278
Net change in fund balance	(60,833)	(10,826)	50,007
FUND BALANCE, APRIL 1, 2006	124,790	124,790	
FUND BALANCE, MARCH 31, 2007	\$ 63,957	\$ 113,964	\$ 50,007

POLICE
FORFEITURE
FUND

UNADILLA TOWNSHIP
POLICE FORFEITURE FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash

\$ 1,779

FUND BALANCE

FUND BALANCE

\$ 1,779

UNADILLA TOWNSHIP
POLICE FORFEITURE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Drug forfeitures	\$ 3,308
Interest income	<u>32</u>
Total revenues	3,340
EXPENDITURES	
Forfeiture expenses	<u>4,241</u>
Excess (Deficiency) of revenues over (under) expenditures	(901)
OTHER FINANCING SOURCES (USES)	
Transfers(out)	<u>(8,278)</u>
Net change in fund balance	(9,179)
FUND BALANCE, APRIL 1, 2006	<u>10,958</u>
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 1,779</u></u>

DUST
CONTROL
FUND

UNADILLA TOWNSHIP
DUST CONTROL FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash

\$ 122,778

Taxes receivable

10,621

\$ 133,399

FUND BALANCE

FUND BALANCE

\$ 133,399

UNADILLA TOWNSHIP
DUST CONTROL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Tax revenue	\$ 108,601
Interest income	511
Other income	<u>5,248</u>
Total revenues	114,360
EXPENDITURES	
Road treatment	59,955
Other charges	<u>11</u>
Total expenditures	<u>59,966</u>
Net change in fund balance	54,394
FUND BALANCE, APRIL 1, 2006	<u>79,005</u>
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 133,399</u></u>

STREET LIGHTING
FUND

UNADILLA TOWNSHIP
STREET LIGHTING FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash

\$ 3,389

Special assessment receivable

1,347

\$ 4,736

FUND BALANCE

FUND BALANCE

\$ 4,736

UNADILLA TOWNSHIP
STREET LIGHTING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments	\$	\$ 7,654	\$
Interest		14	
Total revenues	7,345	7,668	323
EXPENDITURES			
Street lighting	8,060	7,971	89
Net change in fund balance	(715)	(303)	412
FUND BALANCE, APRIL 1, 2006	5,039	5,039	
FUND BALANCE, MARCH 31, 2007	<u>\$ 4,324</u>	<u>\$ 4,736</u>	<u>\$ 412</u>

TOWNSHIP
IMPROVEMENT
FUND

UNADILLA TOWNSHIP
TOWNSHIP IMPROVEMENT FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents

\$ 169,054

FUND BALANCE

FUND BALANCE

\$ 169,054

UNADILLA TOWNSHIP
TOWNSHIP IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Interest income	\$ 7,753
EXPENDITURES	
Net change in fund balance	7,753
FUND BALANCE, APRIL 1, 2006	161,301
FUND BALANCE, MARCH 31, 2007	\$ 169,054

SENIOR CENTER
FUND

UNADILLA TOWNSHIP
SENIOR CENTER FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash

\$ 2,978

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable

\$ 60

FUND BALANCE

2,918

Total liabilities and fund balance

\$ 2,978

UNADILLA TOWNSHIP
SENIOR CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES	
Donations	\$ 3,310
Interest income	<u>15</u>
Total revenues	3,325
EXPENDITURES	
Supplies	<u>407</u>
Net change in fund balance	2,918
FUND BALANCE, APRIL 1, 2006	<u> </u>
FUND BALANCE, MARCH 31, 2007	<u><u>\$ 2,918</u></u>

SEWER
DEBT SERVICE
FUND

UNADILLA TOWNSHIP
SEWER DEBT SERVICE FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash and cash equivalents
Due from county

\$ 741,421
28,849

Total current assets

\$ 770,270

DEFERRED SPECIAL ASSESSMENT RECEIVABLE

1,701,731

Total assets

\$ 2,472,001

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable
Deferred revenues

\$ 117
1,701,731

Total liabilities

\$ 1,701,848

FUND BALANCE

770,153

Total liabilities and fund balance

\$ 2,472,001

UNADILLA TOWNSHIP
SEWER DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Special assessment interest	\$ 102,576
Special assessment principal	150,489
Interest income	31,011
Miscellaneous	<u>1,399</u>

Total revenues	285,475
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EXPENDITURES

Audit fees	1,000
Bond principal	341,483
Bond interest	151,476
Project costs	66
Miscellaneous charges	<u>150</u>

Total expenditures	494,175
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Net change in fund balance	(208,700)
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FUND BALANCE, APRIL 1, 2006	<u>978,853</u>
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FUND BALANCE, MARCH 31, 2007	<u><u>\$ 770,153</u></u>
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TRUST
AND
AGENCY
FUND

UNADILLA TOWNSHIP
TRUST AND AGENCY FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS
Cash

\$ 8,196

LIABILITIES

LIABILITIES
Due to others

\$ 8,196

CURRENT
TAX
COLLECTION
FUND

UNADILLA TOWNSHIP
CURRENT TAX COLLECTION FUND
BALANCE SHEET
MARCH 31, 2007

ASSETS

ASSETS

Cash	\$ 528
Due from others	<u>725</u>
Total assets	<u>\$ 1,253</u>

LIABILITIES

LIABILITIES

Due to other funds	<u>\$ 1,253</u>
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UNADILLA TOWNSHIP

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2007



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

June 21, 2007

Board of Trustees
Unadilla Township
126 Webb Street
P O Box 120
Gregory, Michigan 48137

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Unadilla Township for the year ended March 31, 2007, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. These matters are as follows:

- There were several instances with the receipts that lack detail.
- The Debt Service Funds should be reviewed annually to determine an adequacy of resources to service the bond interest and principal.

This letter does not affect our report dated June 21, 2007 on the financial statements of the Unadilla Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of Unadilla Township and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

UNADILLA TOWNSHIP

R E P O R T ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FOR THE YEAR ENDED MARCH 31, 2007



PFEFFER ■ HANNIFORD ■ PALKA
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225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

June 21, 2007

Board of Trustees
Unadilla Township
126 Webb Street
P O Box 120
Gregory, Michigan 48137

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unadilla Township, as of and for the year ended March 31, 2007, which collectively comprise Unadilla Township's basic financial statements and have issued our report thereon dated June 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unadilla Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unadilla Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Unadilla Township's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principals. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature. The entries also include those required for the full-accrual presentation of the government-wide statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unadilla Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Unadilla Township, in a separate letter dated June 21, 2007.

This report is intended solely for the information and use of the Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants